

VETERANS' AFFAIRS

0553 Office of the Inspector General for Veterans' Affairs

The inspector has responsibility for reviewing the operations and financial condition of the state's veterans' programs, including the State Farm and Home Purchase Program ("Cal-Vet") and the veterans' homes. The budget falls from \$514,000 in the current year to \$457,000 in the budget year, a 14 percent reduction.

Summary of Expenditures

(dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$423	\$358	-\$65	-15.4%
Special Funds	\$91	\$99	8	8.8
Total	\$514	\$457	-\$73	-14.2%

Issue

Meeting the Office's Statutory Mission The inspector has testified that he cannot meet his statutory mandates for independence and oversight at the funding level provided over the last two years.. Now that the office is sustaining another large reduction, the Legislature should consider ways to either augment the inspector's resources or limit his statutory responsibilities.

8955 Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA) provides services to qualified veterans and eligible members of the National Guard. Specifically it:

- Assists eligible veterans and their dependents in obtaining federal and state benefits.
- Makes below-market loans to qualified veterans for homes and farms. The loans made through the California Veterans Farm and Home Purchase Program (the "Cal-Vet program") are capitalized from the proceeds of revenue bond sales.
- Operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services.

The budget reduces total expenditures from \$336 million in the current year to \$328 million.

Highlights

Restoration of Domiciliary Member Fees to 55 Percent. The budget increases the monthly member fee from 47.5 percent to 55 percent. Until 2001, the fees had been 55 percent, but were reduced at the request of veterans. The fee increase raises \$1.2 million. By increasing the member fee, the department reduces its reliance on the General Fund by a comparable amount.

Disabled Veterans Business Enterprise. The budget shifts the outreach program from the Department of General Services to the Department of Veterans Affairs. Consistent with this change, DVA's reimbursements increase by an amount to cover the full cost of the new responsibilities.

Issues

Member Fee Increase. The fee increase is scheduled to be imposed on July 1. By the time members are admitted to the home, most if not all are on a fixed income. It is not clear to what extent members can afford the fee increase, particularly given the short notice provided them.

Cashflow Report. The department has experienced significant cash management problems, and has sought short term loans to manage its budget. In recent years, the department has been unable to repay the loans. To help the Legislature monitor the department's cashflow, the Legislature required the department to report on cashflow twice yearly. The first report was due two months ago, but has not been submitted to the Legislature. Without the report, it is not clear if the department is managing its cashflow in the current year and whether the department will repay any of the loans due this year. More importantly, to the extent the department is experiencing cash management problems, the Legislature cannot properly respond to problems if the department fails to provide adequate information.

Report on Lags in Billings. The department has had difficulty securing reimbursement for the health services it renders. Some of the difficulty arises because the department has been late in making claims to insurance companies and the federal government. The department knows that as an account ages, the likelihood of collecting falls. In the recent past, the department has had significant lags in making claims. The Legislature, as a condition of appropriating funds for the homes, asked the department to report on its progress in making timely claims. The report is late. Although department staff have said that DVA is making progress in reducing billing lags, the Legislature cannot adequately assess the progress without the required report.